

LANXESS – FY and Q4 2019 results

Delivering in challenging environment

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Agenda

1 Executive summary FY 2019 and Q4 2019

2 Financial and business details Q4 2019

3 Back-up

FY 2019 highlights: Operational delivery on strategic roadmap

Strategic Highlights

- **Successful portfolio management**
 - Significant value creation by Currenta divestment (Closing Q2/2020)
 - Divestments of chrome value chain and parts of Organometallics
- **Transformation is paying off:**
 - Three out of four segments improved results
- **Battery technology concept started:**
 - LANXESS to develop as prime supplier of chemical raw materials for battery technology

Financial Highlights

- **BU LEA reported as discontinued operations** as of 31 Dec 2019
- **EBITDA pre increase to €1,019 m** from €986 m in FY 2018 (ex BU LEA) despite challenging environment
- **Strong platform for further value creation**
 - Share buy-back of €200 m executed
 - Strong balance sheet enables internal and external growth
 - For the first time FY EBITDA pre margin at 15%

Effective 2020: New reporting structure to reflect respective business models

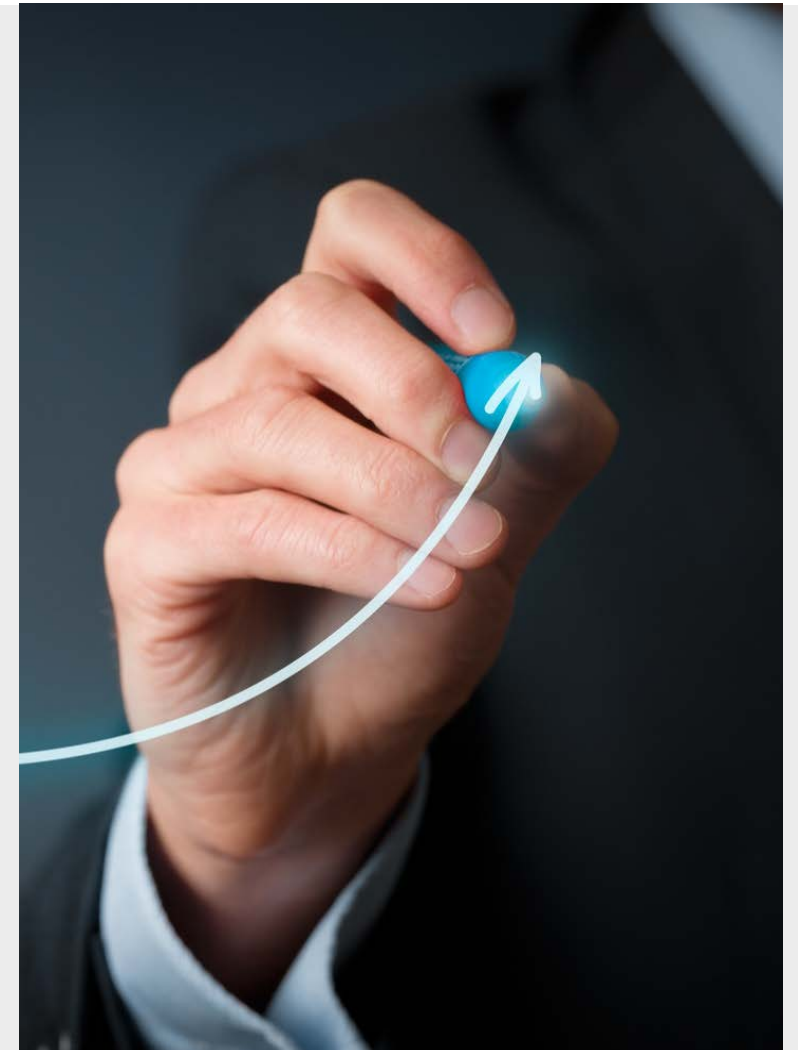
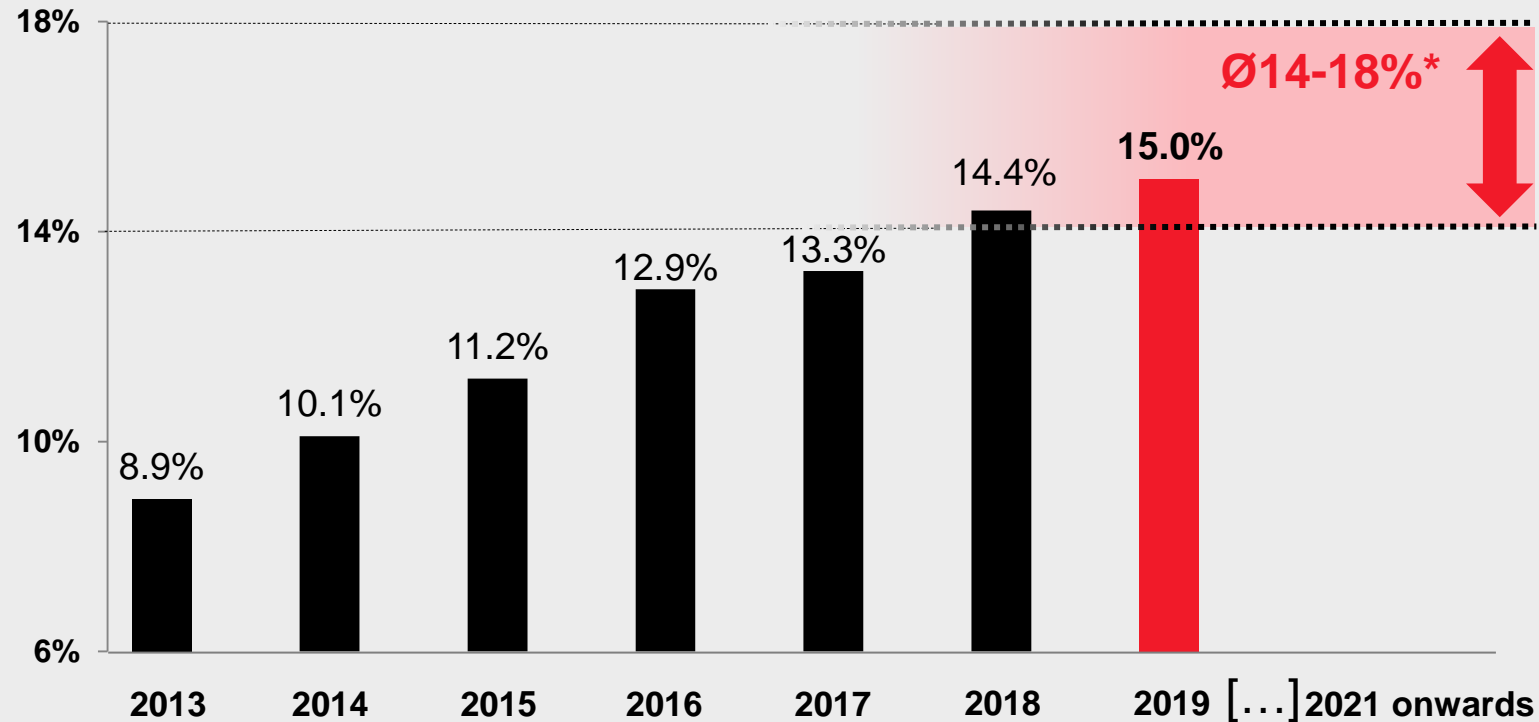


Discontinued operations

LANXESS margin improved well into targeted corridor

FY 2019 margin at 15%

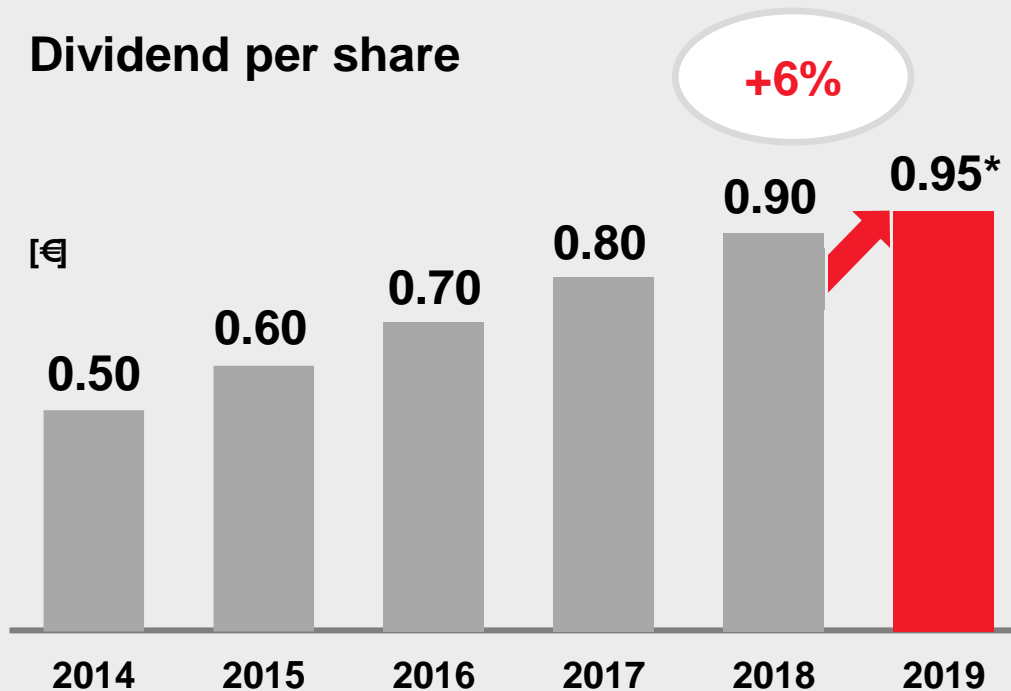
[EBITDA pre margin]



* Group, average through the cycle

Dividend to increase despite tougher times

A reliable income stream for investors



Dividend policy

LANXESS aims for an increasing or at least stable dividend



* To be proposed to the Annual General Meeting on May 13, 2020

LANXESS launches new share buy-back program

Volume up to €500 m

Legal framework

- Buy-back of up to 10% of the share capital in accordance with the authorization granted by the stockholders' meeting on 23 May 2019

Volume

- Volume up to €500 m (execution in two tranches of €250 m each)

Duration

- Start earliest on 12 March 2020
- Shares will be acquired within next 24 months
- Acquired shares shall be redeemed

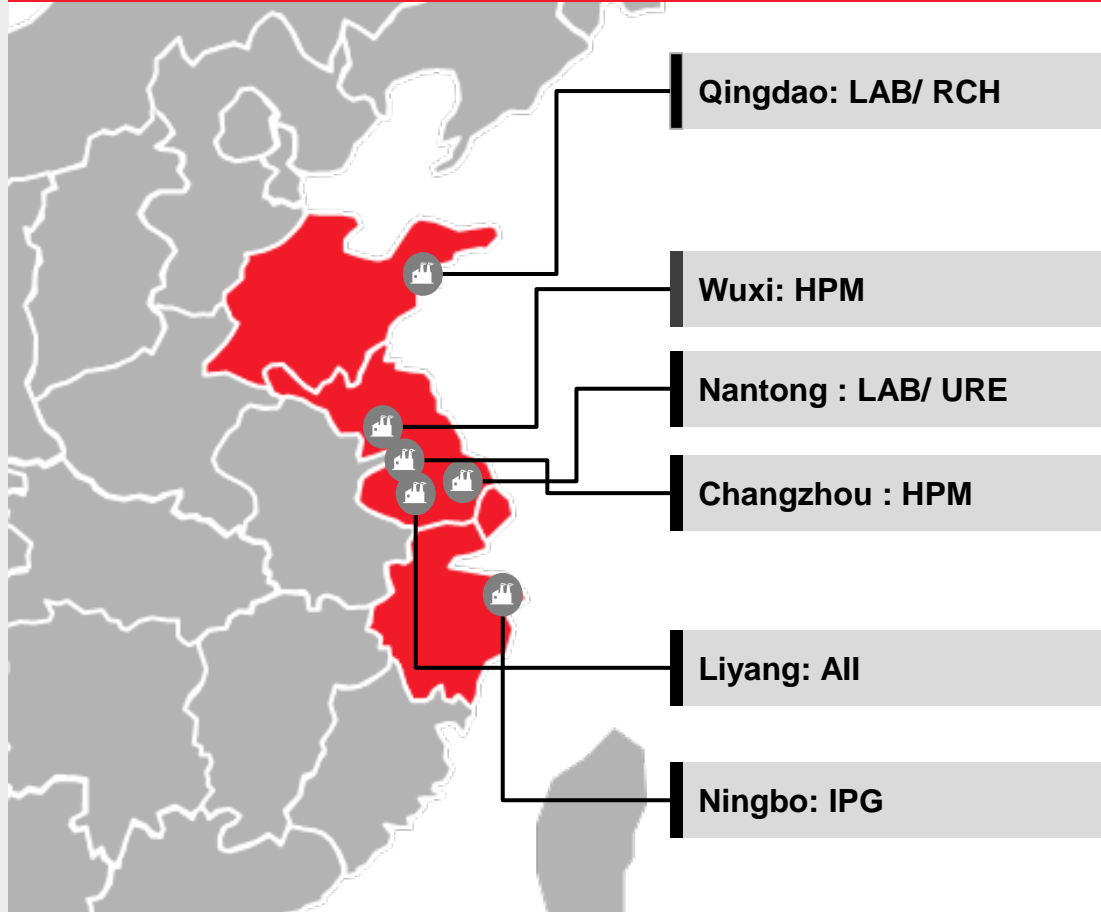
Rationale

Maximizing the benefit of our investors based on best value creation



Impact of Covid-19 currently expected to be between €50 m and €100 m in 2020

Multiple sites in China impacted

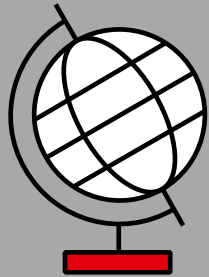


Current view on Covid-19 financial implications

- Q1: EBITDA pre impact of ~€20 m due to
 - Temporary local production shutdowns in China
 - Disruption of some value chains in China
 - Globally weakened customer demand
- Q2: Worsening of impact expected
- Q3 +Q4: Potential gradual relief
- Total impact on LANXESS
 - €50 m - if situation improves significantly until summer
 - Up to €100 m in case of longer disturbance of global economy

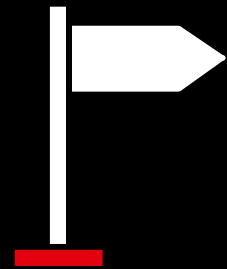
* All sites operate again since 24 Feb

FY 2020 outlook: LANXESS operationally stable at previous year level but Covid-19 will burden



Current view on economy

- Ongoing geopolitical and macroeconomic uncertainties
- Corona virus (Covid-19) impacting business environment and further limiting visibility – financial impact for full year hard to predict
- Auto: no recovery ahead



LANXESS FY 2020 EBITDA pre

- LANXESS operationally on previous year level (ex Covid-19)
- Covid-19 will impact Q1 by ~€20 m, FY impact currently expected between €50-100 m
- Based on the above, our outlook for the year is at €900-1000 m (including Covid-19 impact)

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LANXESS Group: Enhanced EBITDA and margin as promised

All four segments with improvement in Q4 EBITDA pre

[€m]*	Q4/2018	Q4/2019	Δ	FY 2018	FY 2019	Δ
Sales	1,674	1,636	-2%	6,824	6,802	0%
EBITDA pre	175	197	13%	986	1,019	3%
Margin	10.5%	12.0%		14.4%	15.0%	
CAPEX	235	213	-9%	482	508	5%

Price Volume FX Portfolio

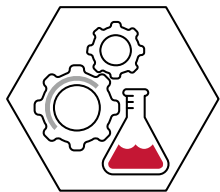
-3% **-1%** **+1%** **0%**

Total -2%

Q4 Sales vs. PY

- Slight sales decline mainly due to raw material driven price reductions mitigated by positive FX effect
- Improved EBITDA pre and margin from successful strategy implementation and supportive FX effect. €10 m synergies planned for 2020 already realized in 2019
- For the first time FY EBITDA margin at 15%

* All figures excluding BU LEA, which is reported as discontinued operations



Advanced Intermediates: Strong earnings

**Increasing support
from BU Saltigo**

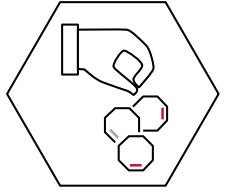
[€ m]	Q4/2018	Q4/2019	Δ	YTD 2018	YTD 2019	Δ
Sales	562	553	-2%	2,207	2,249	2%
EBITDA pre	73	79	8%	359	389	8%
Margin	13.0%	14.3%		16.3%	17.3%	
CAPEX	63	66	5%	155	162	5%

Price **-5%** Volume **+3%** FX **+1%** Portfolio **0%**

Total **-2%**

Q4 Sales vs. PY

- Slight sales decrease driven by price decline in BU All due to raw material price pass-through
- Positive volumes in both BUs and FX development mitigate price decline in sales
- Substantial EBITDA pre and margin improvement in Q4 and FY based on stronger volumes in BU All and ongoing recovery in BU Saltigo



Specialty Additives: Ongoing strong margin improvement

Polymer Additives compensate weak auto demand

[€m]	Q4/2018	Q4/2019	Δ	YTD 2018	YTD 2019	Δ
Sales	470	471	0%	1,980	1,965	-1%
EBITDA pre	78	84	8%	343	353	3%
Margin	16.6%	17.8%		17.3%	18.0%	
CAPEX	65	47	-28%	141	120	-15%

Price **+1%** Volume **-3%** FX **+2%** Portfolio **0%**

Total **0%**

Q4 Sales vs. PY

- Stable sales: Positive pricing and FX effect compensate lower volume
- Favorable pricing in flame retardants overcompensates raw material driven price decline in lubricants
- Volume decrease due to lower auto demand (mainly BU RCH) and termination of margin-dilutive tolling agreements (BU LAB)
- Flame retardants, FX and accelerated synergies contribute to improved EBITDA pre and margin



Performance Chemicals: All BUs with improved earnings - BU LEA discontinued operations

Biocides and water purification boost performance

[€m]*	Q4/2018	Q4/2019	Δ	YTD 2018	YTD 2019	Δ
Sales	231	242	5%	976	1,052	8%
EBITDA pre	20	29	45%	156	192	23%
Margin	8.7%	12.0%		16.0%	18.3%	
CAPEX	27	22	-19%	61	60	-2%

Price Volume FX Portfolio

+1% **+2%** **+1%** **0%**

Total **+5%**

Q4 Sales vs. PY

- Rise in sales due to pricing, volume and FX
- Positive price effect driven by BU MPP and LPT
- Volume growth mainly in BU MPP and LPT, stabilization in BU IPG
- Significant EBITDA pre and margin improvement in all three BUs, mainly driven by increased volumes and price
- Despite strong improvement, Q4 seasonally weakest quarter

* All numbers excluding BU LEA, which is reported as discontinued operations



Engineering Materials: Good performance in a very difficult environment

Volume decline overstated by trade deal

[€m]	Q4/2018	Q4/2019	Δ	YTD 2018	YTD 2019	Δ
Sales	391	350	-10%	1,576	1,450	-8%
EBITDA pre	43	49	14%	267	238	-11%
Margin	11.0%	14.0%		16.9%	16.4%	
CAPEX	46	51	11%	76	104	37%

Price	Volume	FX	Portfolio
-5%	-6%	+1%	0%

Total -10%

Q4 Sales vs. PY

- Sales decrease on lower volumes and prices, slightly mitigated by FX
- Price decline in both BUs due to lower raw material prices
- Lower volumes in both BUs – volume effect overstated by BU HPM trade deal in 2018. Demand from auto industry remains weak
- EBITDA pre and margin improvement in both BUs, comparing with a low Q4 2018

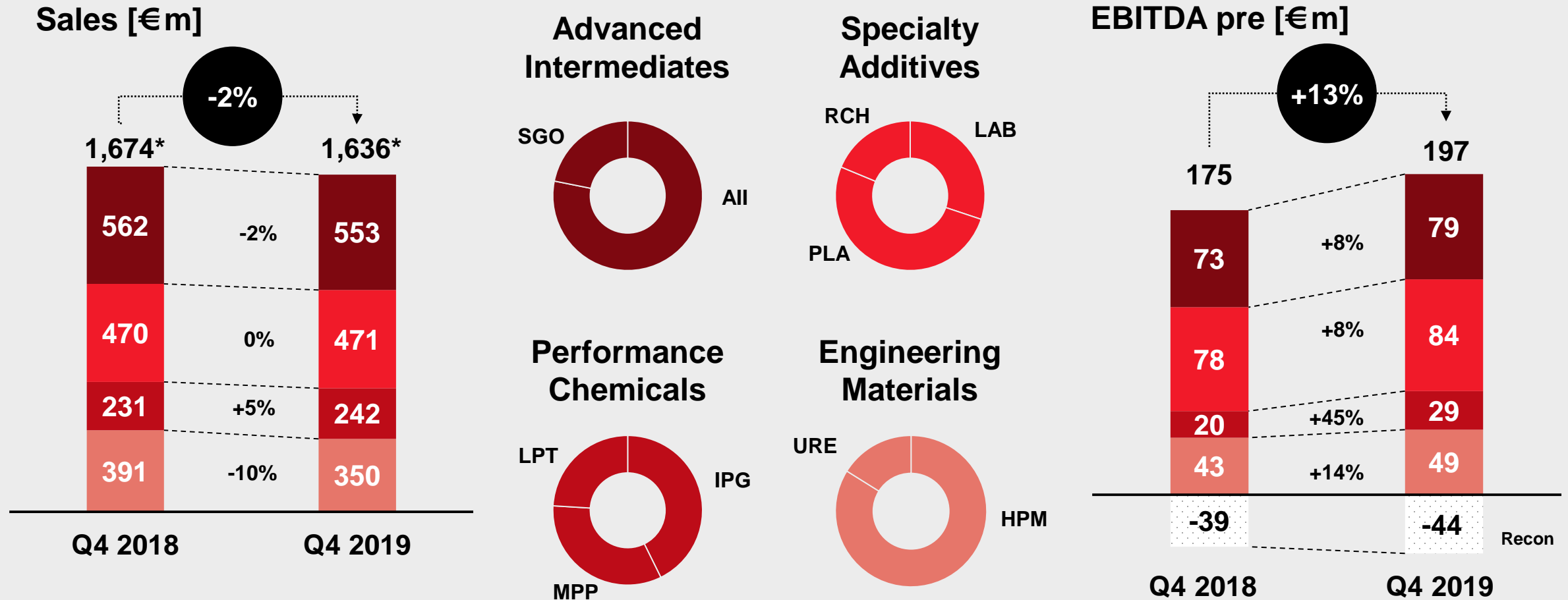
Q4 2019: Good operational development partly offset by restructuring and M&A costs

[€m]	Q4/18		Q4/2019		yoy in %
Sales	1,674	(100%)	1,636	(100%)	-2%
Cost of sales	-1,309	(-78%)	-1,253	(-77%)	4%
Selling	-197	(-12%)	-203	(-12%)	-3%
G&A	-86	(-5%)	-81	(-5%)	6%
R&D	-27	(-2%)	-30	(-2%)	-11%
Others (incl. Except.)	-11	(-1%)	-69	(-4%)	>100%
EBIT	44	(3%)	0	(0%)	-100%
EPS pre*	0.77		0.64		-17%
EBITDA	162	(10%)	160	(10%)	-1%
thereof except.	-13	(-1%)	-37	(-2%)	<-100%
EBITDA pre except.	175	(10.5%)	197	(12.0%)	13%

- Improved costs of sales driven by lower raw material prices and volumes
- Decreased G&A costs mainly due to synergies
- EBIT impacted by higher exceptionals (restructuring, M&A, IT & digitization projects)

* Net of exceptionals and amortization of intangible assets as well as attributable tax effects

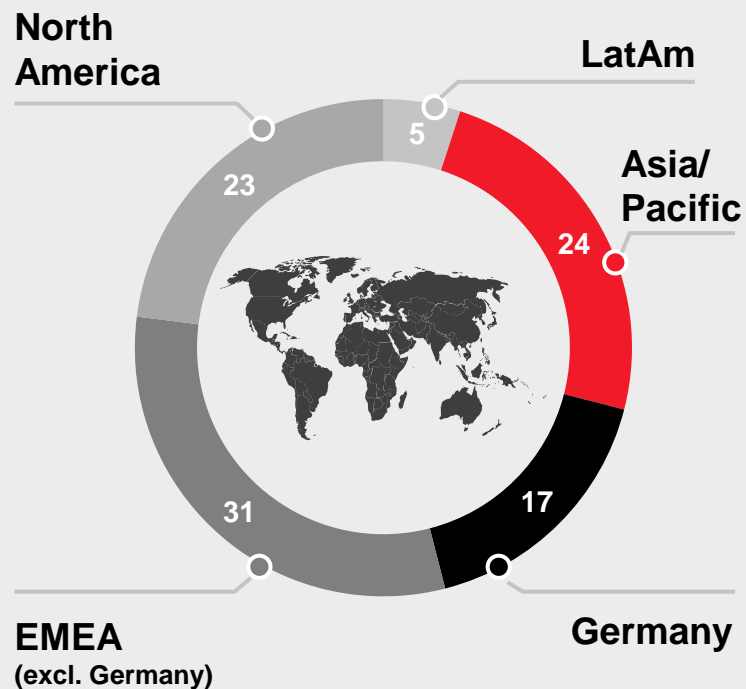
Q4 2019: EBITDA pre increases in all segments



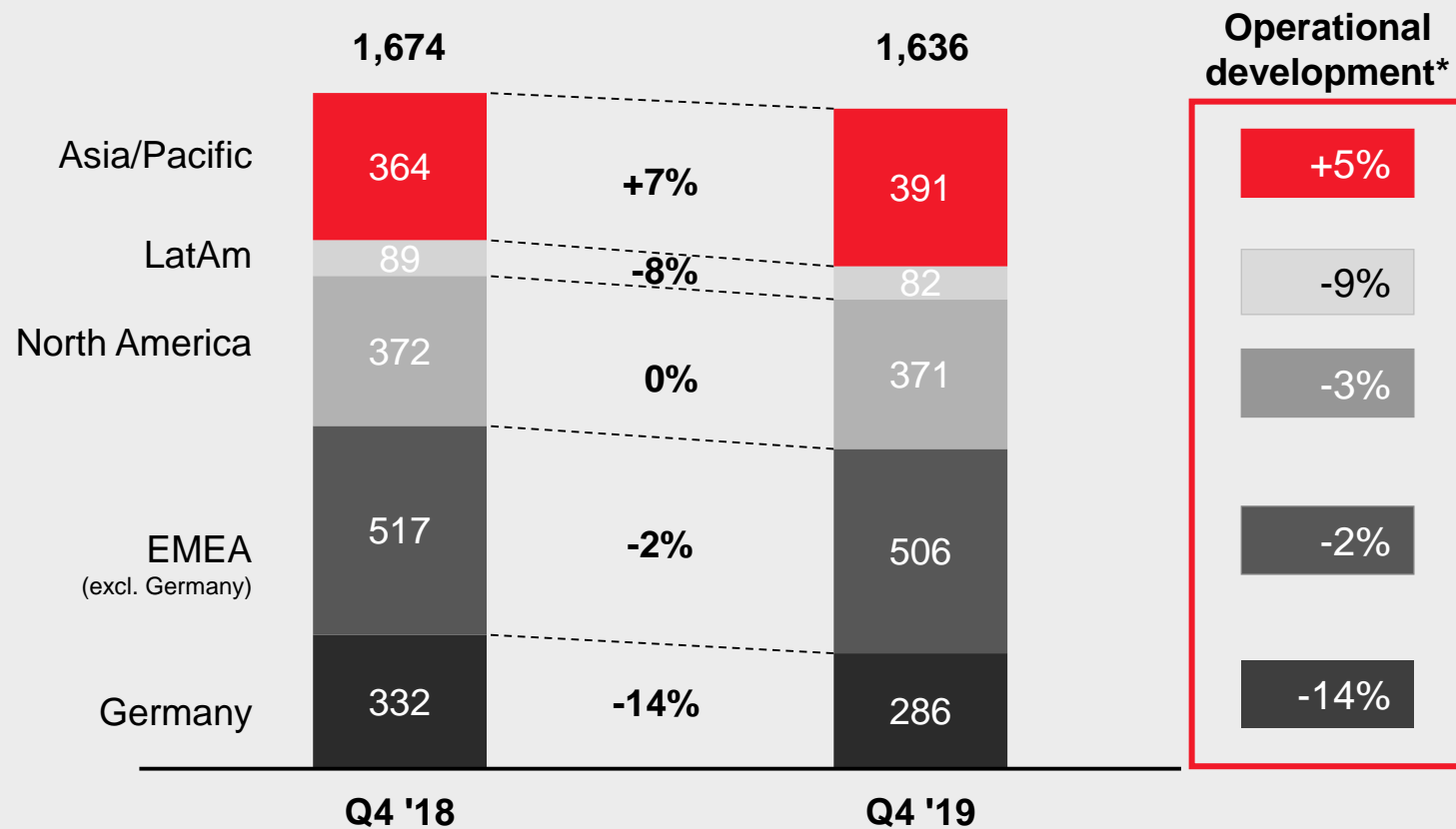
* Total group sales including reconciliation

Q4 2019: Further operational sales growth in Asia while Germany still suffers due to weak auto industry

Q4 2019 sales by region [%]



Regional development of sales [€m]



* Currency and portfolio adjusted

Strong increase in operating cash flow in Q4

[€m]	Q4/2018	Q4/2019	Δ
Operating cash flow*	172	267	95
Changes in working capital	102	212	110
Investing cash flow*	378	-270	-648
thereof capex	-235	-213	22

- Strong increase in operating cash flow mainly driven by improved working capital
- Investing cash flow in previous year biased by proceeds from ARLANXEO divestment
- Decrease in capex due to different timing of spending during fiscal year

* applies to continuing operations

Balance sheet positions influenced by FX

[€m]	31.12.2018	31.12.2019
Total assets	8,687	8,695
Equity	2,773	2,647
Equity ratio	32%	30%
Net financial debt¹	1,381	1,742
Pension provisions	1,083	1,178
Net working capital	1,455	1,308
DSI (in days) ²	69	66
DSO (in days) ³	46	42

- Decrease in equity mainly due to share buy-back and FX effect
- Net debt impacted by:
 - Share buy-back (€200 m)
 - IFRS 16 effect (~€130 m)
 - Dividend payment (€79 m)
- Increase in pension provisions arises from declining underlying interest rates in Germany, UK and the US
- Improved working capital caused by reduced inventories and trade receivables

¹ Including cash, cash equivalents and near cash assets and after deduction of short-term money market investments

² Days sales of inventory calculated from quarterly sales

³ Days of sales outstanding calculated from quarterly sales

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Housekeeping items 2020

Capex 2020	~€500 m
Operational D&A 2020	~€450 m
Reconciliation 2020	~€160 m - €170 m including remnant costs
Tax rate	~28%
Exceptionals 2020	~€50 m based on current initiatives
FX sensitivity	One cent change of USD/EUR resulting in ~€7 m EBITDA pre impact before hedging
Remnant costs	~€10 m p.a. until 2022
Maintenance shutdown BU HPM	~€10 - €20 m in H2

BU LEA accounted for as “Discontinued Operations” in 2019 – key P&L figures restated

Sales

2018				2019	
[in €m]	LXS reported	Discontinued Operations LEA	LXS Continued restated	Discontinued Operations LEA	LXS Continued
FY	7.197	373	6.824	329	6.802
Q1				84	1.738
Q2				86	1.724
Q3				77	1.704
Q4	1.766	92	1.674	82	1.636

EBITDA pre

2018				2019	
[in €m]	LXS reported	Discontinued Operations LEA	LXS Continued restated	Discontinued Operations LEA	LXS Continued
FY	1.016	30	986	0	1.019
Q1				3	272
Q2				5	281
Q3				-2	269
Q4	179	4	175	-6	197

EPS pre

2018				2019	
[in €m]	LXS Continued (Ex. ARL) reported	Discontinued Operations LEA	LXS Continued restated	Discontinued Operations LEA*	LXS Continued
FY	4,45	-0,03	4,48	-0,24	4,73
Q1				-0,04	1,32
Q2				0,03	1,48
Q3				-0,08	1,29
Q4	0,61	-0,16	0,77	-0,16	0,64

* Figures do not fully add up as the average number of shares outstanding varies across the year due to cancellation of shares after the conducted the share buy-back

Details on accounting for discontinued operations of BU Leather (starting FY 2019)

Income statement

- A discontinued operation is reported as income separate from continued operations
- EPS from discontinued, continuing & total to be reported
- Restatement of 2018 figures

Balance sheet

- Line items “assets and liabilities held for sale and discontinued operations” will be shown under “current assets” and “current liabilities” respectively
- No restatement of 2018 figures

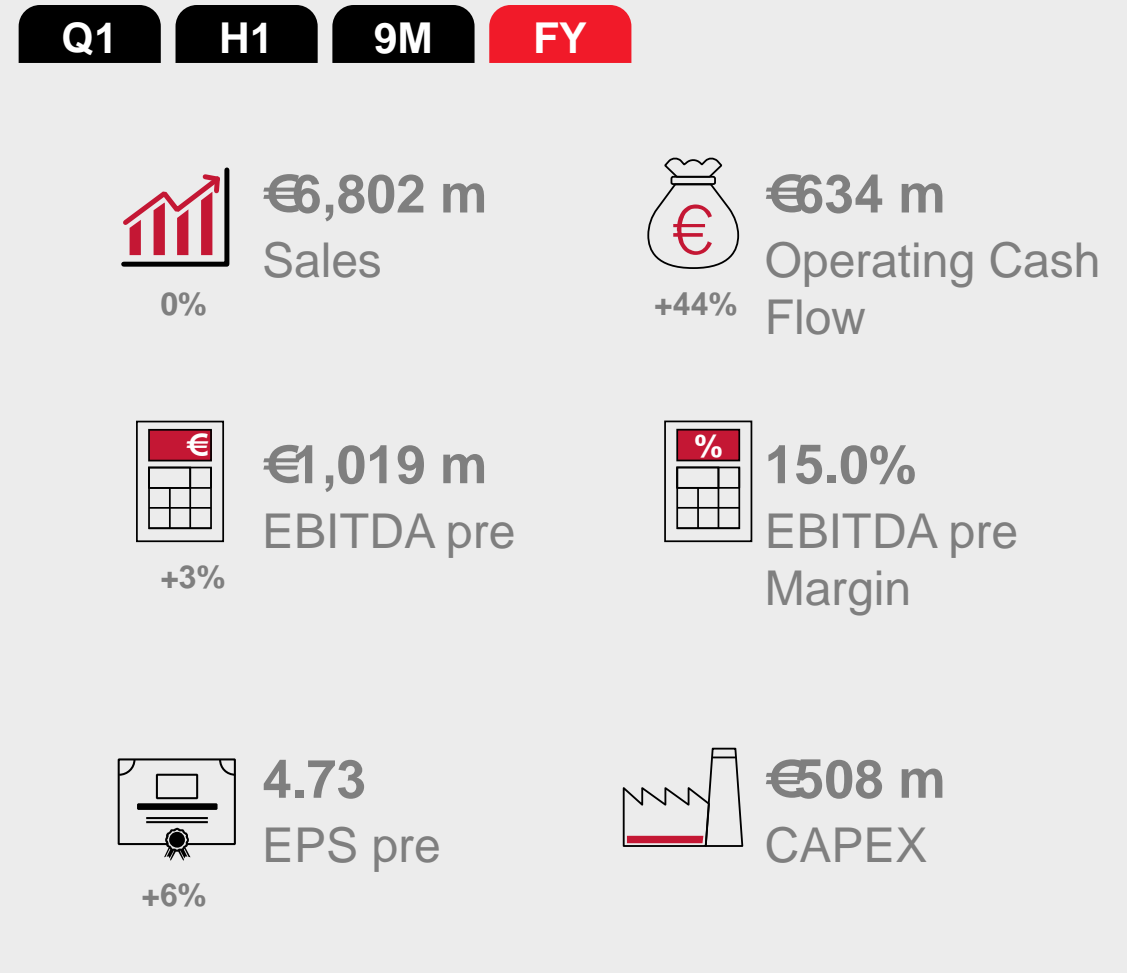
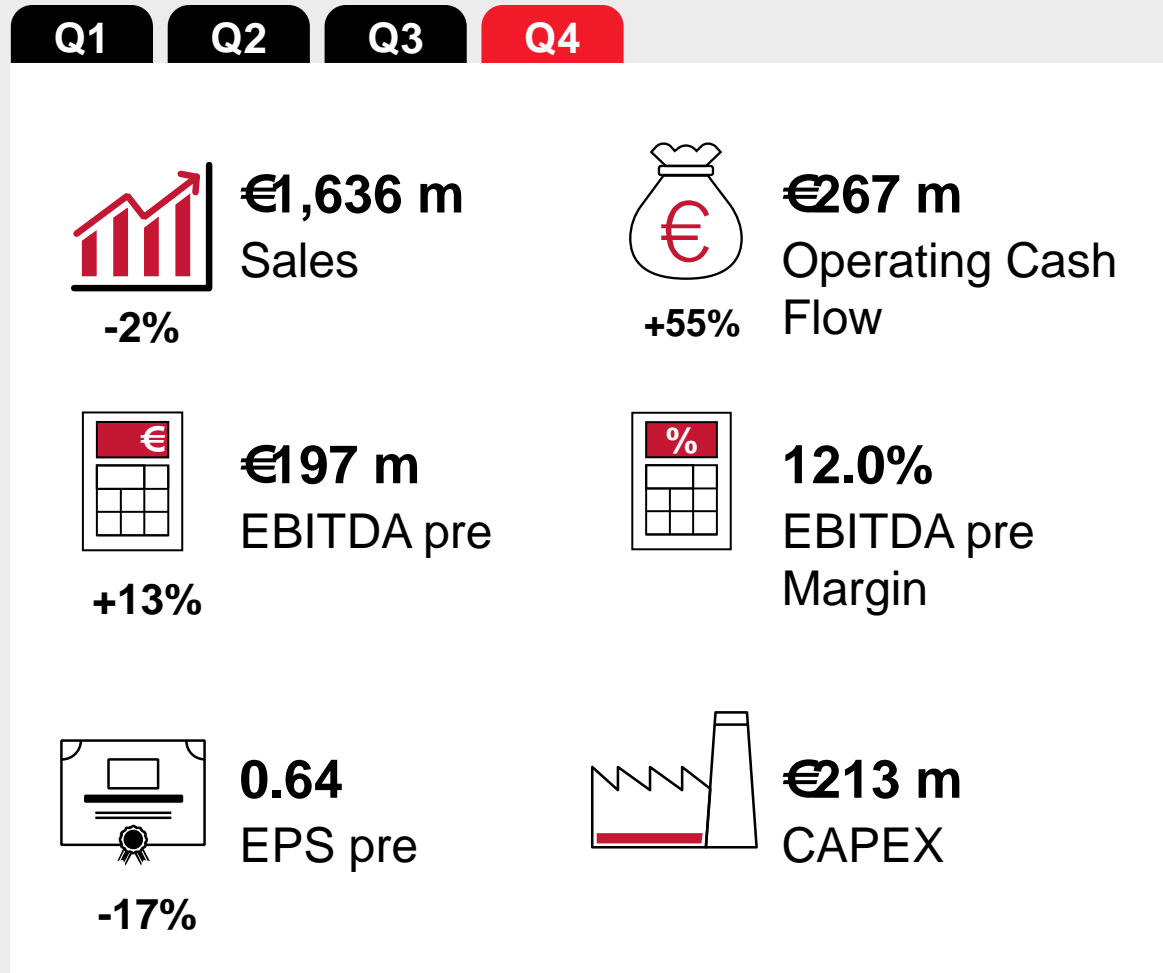
Cash flow Statement

- Presentation of cash flows from discontinuing operations in one line item
- Restatement of 2018 figures

ROCE

- ROCE adjusted for “discontinued operations”

Key Figures*: Delivering as promised



* Continuing operations (excluding BU LEA, which is reported as discontinued operation)

FY 2019: Improved EBITDA pre and share buy-back drive further EPS pre increase

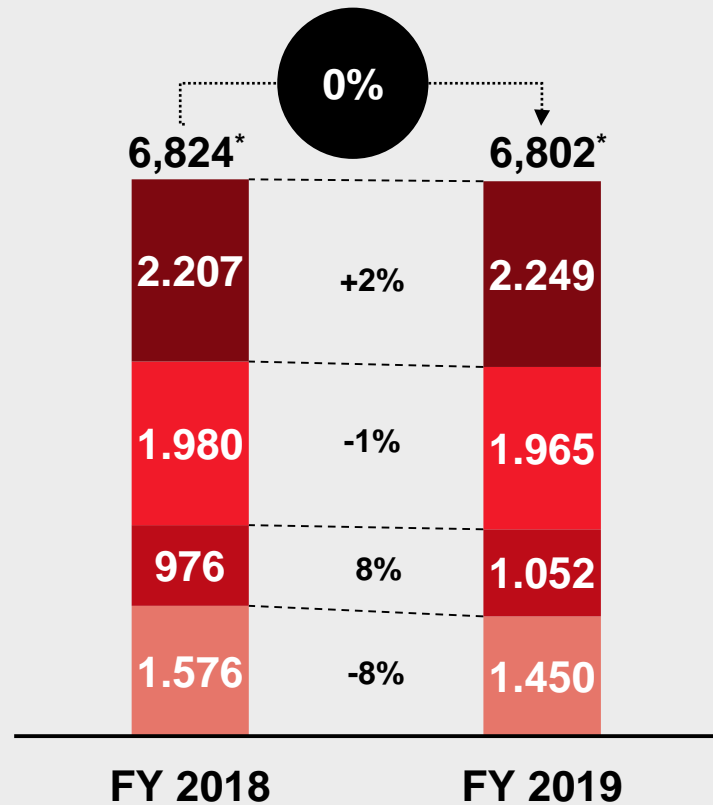
[€m]	FY 2018		FY 2019		yoy in %
Sales	6,824	(100%)	6,802	(100%)	0%
Cost of sales	-5,086	(-75%)	-5,043	(-74%)	1%
Selling	-759	(-11%)	-812	(-12%)	-7%
G&A	-295	(-4%)	-274	(-4%)	7%
R&D	-109	(-2%)	-114	(-2%)	-5%
Others (incl. Except.)	-84	(-1%)	-152	(-2%)	-81%
EBIT	491	(7%)	407	(6%)	-17%
EPS pre*	4.48		4.73		6%
EBITDA	906	(13%)	910	(13%)	0%
thereof except.	-80	(-1%)	-109	(-2%)	-36%
EBITDA pre except.	986	(14.4%)	1,019	(15.0%)	3%

- Increase in selling expenses due to higher freight costs and FX
- Improved G&A costs reflect synergies
- EBIT impacted by higher exceptionals (realignment of Organometallics and leather businesses)
- EPS pre increase supported by share buyback

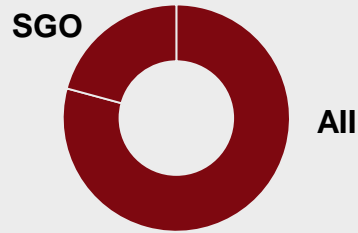
* Net of exceptionals and amortization of intangible assets as well as attributable tax effects

FY 2019: Improving earnings in three out of four segments

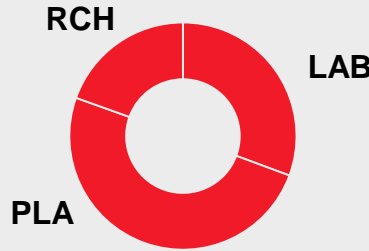
Sales [€m]



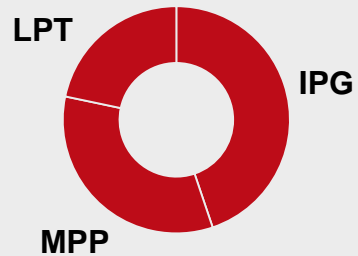
Advanced Intermediates



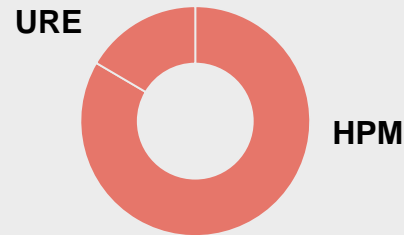
Specialty Additives



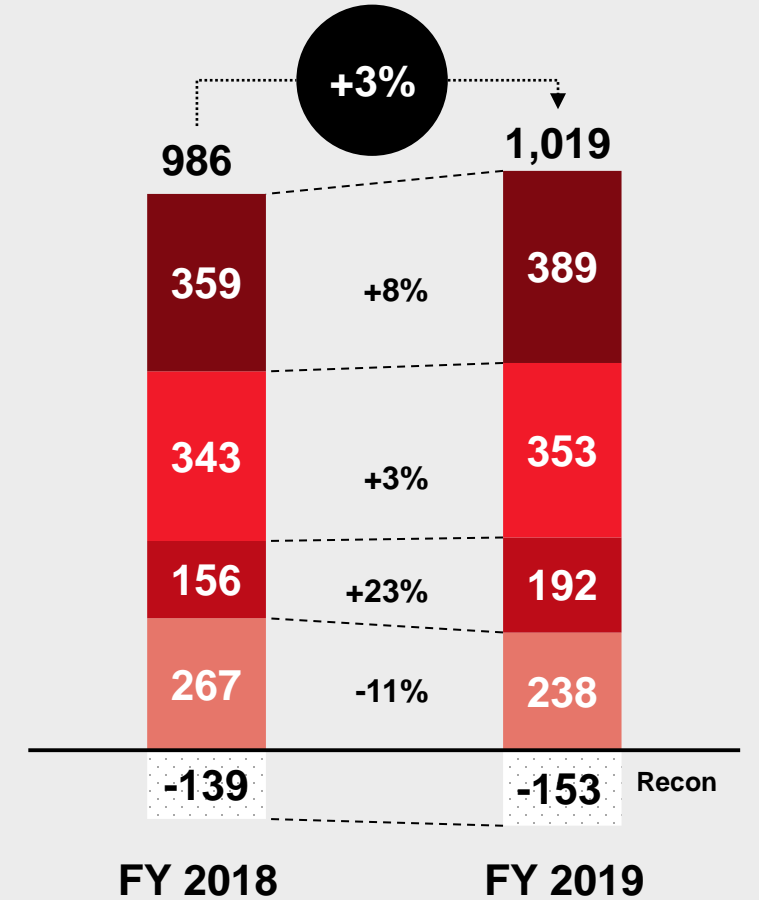
Performance Chemicals



Engineering Materials



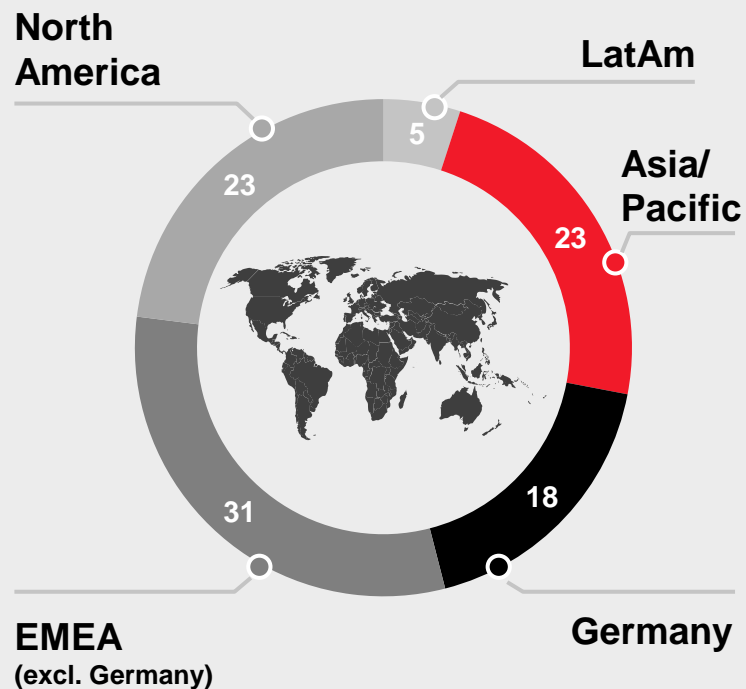
EBITDA pre [€m]



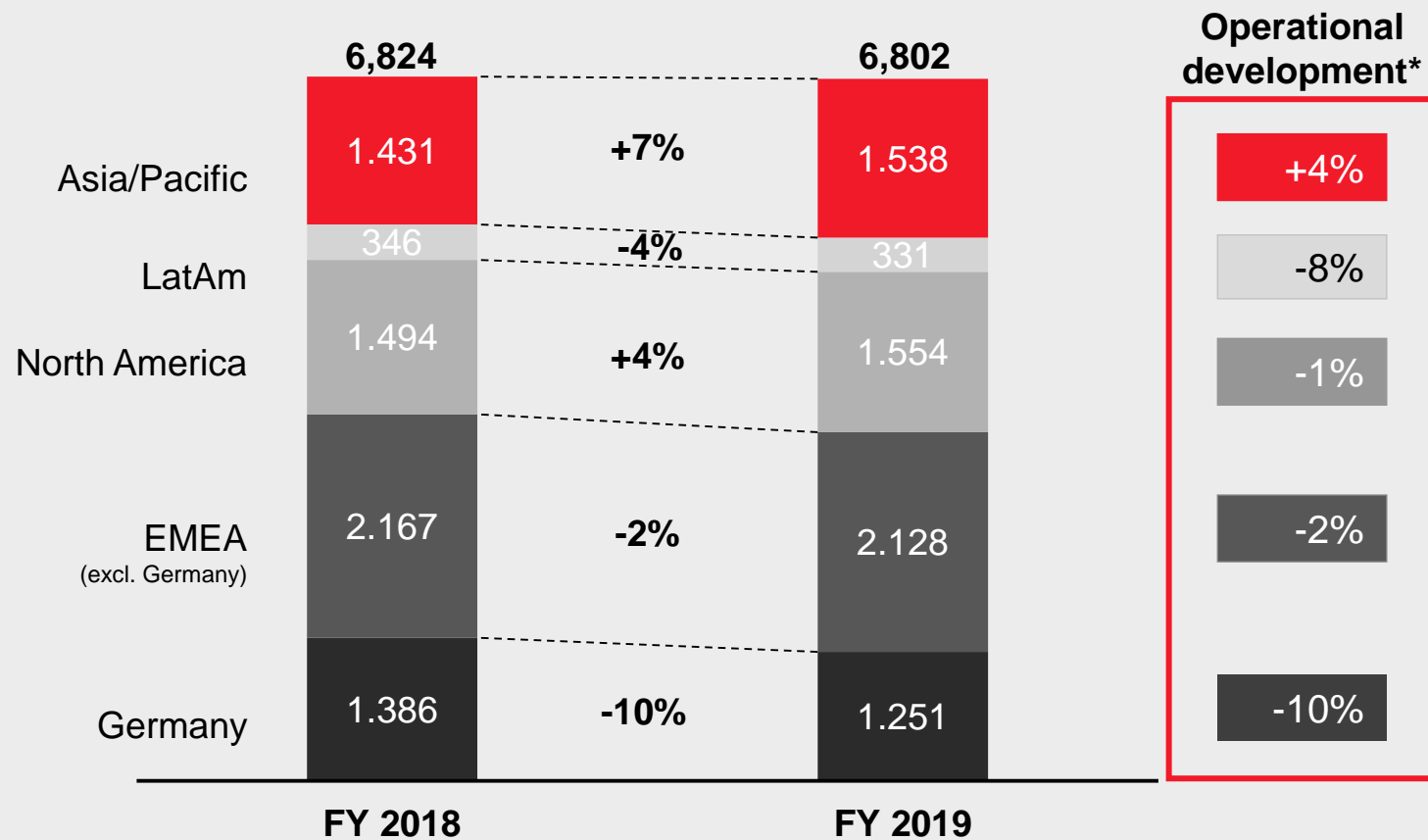
* Total group sales including reconciliation

FY 2019: Solid growth in Asia and North America supported by FY tailwind

FY 2019 sales by region [%]



Regional development of sales [€m]



* Currency and portfolio adjusted


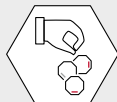


Cash flow FY 2019: Active working capital management drives improvement in operating cash flow

[€m]	FY 2018	FY 2019	Δ
Operating cash flow*	441	634	193
Changes in working capital	-179	68	247
Investing cash flow*	80	-697	-777
thereof capex	-482	-508	-26

- Increase in operating cash flow driven by improved working capital, reflecting reduction of inventories and receivables
- Investing cash flow in previous year biased by proceeds from ARLANXEO divestment
- Capex increase driven by attractive debottlenecking investments

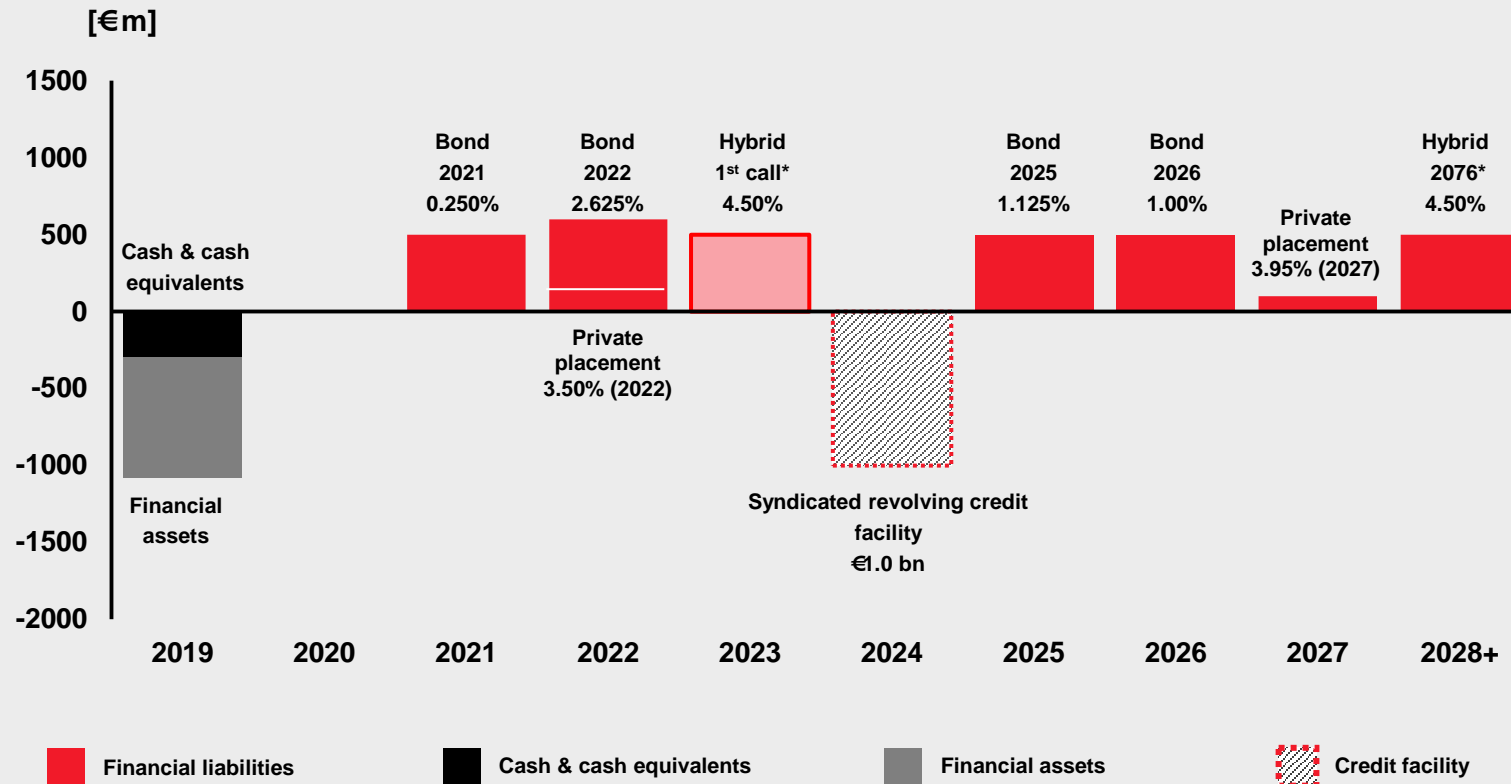
* Applies to continuing operations

Increase in exceptional items (on EBIT) due to higher realignment and project costs

[€m]	Q4 2018		Q4 2019		FY 2018		FY 2019	
	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A	Excep.	Thereof D&A
 Advanced Intermediates	0	0	48	35	0	0	48	35
 Specialty Additives	-6	1	7	0	3	0	18	2
 Performance Chemicals	12	10	-3	0	12	10	2	0
 Engineering Materials	0	-1	0	0	1	0	0	0
Reconciliation	17	0	23	3	74	0	82	4
Total	23	10	75	38	90	10	150	41

Maturity profile actively managed and well balanced

Liquidity and maturity profile as per December 2019



Long-term financing secured

- Diversified financing sources
 - Bonds & private placements
 - Syndicated credit facility
- Average interest rate of financial liabilities ~2%
- Next bond maturity in 2021
- All group financing executed without financial covenants

* Hybrid bond with contractual maturity date in 2076 has a first optional call date in 2023.

Upcoming events 2020 - Proactive capital market communication



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Abbreviations



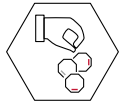
Advanced Intermediates

AI Advanced Industrial Intermediates
SGO Saltigo



Performance Chemicals

IPG Inorganic Pigments
MPP Material Protection Products
LPT Liquid Purification Technologies



Specialty Additives

LAB Lubricant Additives Business
PLA Polymer Additives
RCH Rhein Chemie



Engineering Materials

HPM High Performance Materials
URE Urethane Systems

LANXESS

Energizing Chemistry